Province of
British Columbia

OFFICE OF THE MINISTER

Ministry of Industry
and Small
Business Development

Parliament Buildings
Victoria
British Columbia
V8V 1X4

Honourable Robert G. Rogers

Lieutenant-Governor of British Columbia

MAY IT PLEASE YOUR HONOUR:

I respectfully submit the eleventh Annual Report of the British Columbia Development Corporation for the fiscal year ended March 31, 1985.

Minister of Industry and
Small Business Development

Corporate Mission

The Development Corporation Act Of British Columbia established the Corporation with specific objectives:

to create, develop and increase income, employment, tax revenue and other economic benefits . . . by encouraging and assisting in the establishment, expansion and continued operation of industrial enterprises . . .

and further,

to act as agent for, and provide assistance to, the government in the administration or implementation of government programs.

These statutory objectives give the Corporation clear and concise criteria by which its activities and achievements may be measured.

The Shareholder

As a Crown corporation, the British Columbia Development Corporation is owned by the people of British Columbia. The Minister of Industry and Small Business Development is a member of the Board of Directors, is officially responsible for the Corporation, and tables an annual report on its activities in the Legislature. According to the *Development Corporation Act*, major financing commitments must be approved by the Cabinet.

The Board Of Directors

The Board of Directors, who are appointed by the Provincial Government, are responsible for setting policy and establishing corporate strategy. They meet regularly to review programs and activities, and must specifically approve all loans and project commitments above certain limits.

The following Board changes took place during the past year:

Resignations

William L Sauder,
as of May 21, 1984

F David Radler,
as of May 21, 1984

Newell R Morrison,
as of February 22, 1985

The Hon Donald M Phillips,
as of February 27, 1985

Appointments

Arthur J Block,
as of July 13, 1984

Conrad A Pinette,
as of July 13, 1984

The Hon Robert H McClelland,
as of February 27, 1985

*Member of Executive Committee

Michael McGillivray*
(Acting Chairman)
Partner
Deloitte Haskins & Sells
Chartered Accountants
Prince George

The Hon Robert H McClelland
Minister of Industry
and Small Business
Development

J Patrick Curell*
President
Braemar Construction Ltd
Kelowna

Harbanse S Doman*
President
Doman Industries Ltd
(forest products)
Duncan

William H McRae*
Consultant
(forest products)
Terrace

F Michael P Warren, QC
Partner
Owen Bird
Barristers & Solicitors
Vancouver

Michael C Burns
President
Sentinel Strategies Ltd
(management consultant)
Vancouver

Conrad A Pinette
President
Pinette & Therrien Mills Ltd
(forest products)
Williams Lake

Arthur J Block
President
AR Holdings Ltd
(real estate & manufacturing)
Vancouver

B C D C

Chairman's Message

The Development Corporation's primary mission, to build employment and economic opportunities by support and encouragement of British Columbia business, has remained clear and constant since its inception. In today's difficult economic conditions, the Corporation is making an important contribution to renewal through public-private sector partnership across a broad spectrum — by helping to diversify the Provincial economy, increasing exports, attracting new investment, and supporting the growth of dynamic small B.C. businesses that generate the great majority of new jobs in our Province.

The Corporation has been actively involved in financing a wide variety of land and development projects in over 125 communities in the Province and with almost every type of industry. We have provided loans totalling over $300 million to 1,100 manufacturing and processing companies. Distributed throughout the Province in approximately the same proportions as the population, these loans have been responsible for creating and preserving more than 15,000 jobs.

New Economic Opportunities for British Columbia

British Columbia's natural resource based economy has traditionally relied on exports of a narrow range of raw and semi-processed commodities to a limited number of markets. The worldwide recession, low commodity prices, and increasing competition from developing countries will require extensive structural readjustment in these sectors. Much of our future economic growth and employment will have to originate in new areas of investment that capitalize on our strategic advantages.

In the natural resource sector, industries must modernize and specialize. They must seek to improve productivity, develop new markets and add more value prior to the export of our forest products, minerals, hydrocarbons, and marine wealth.

At the same time, important new opportunities are emerging for economic development in connection with British Columbia's "gateway" location for Pacific Rim trade, and its environmental attractions for modern high-technology businesses which are relatively free to locate as they please. In addition, the Province is now reaching the state of maturity necessary for limited domestic secondary manufacturing of products which have traditionally been imported.

The Development Corporation is active on behalf of the Province in each of these strategic development areas.

Resources and Exports
Development Corporation loans are financing new plant and equipment that allow small wood processors and other manufacturers throughout British Columbia to improve productivity and take advantage of specialized new markets.

Strategically located industrial parks in such communities as Nanaimo, Prince Rupert, Kamloops, Chetwynd, and Trail are providing sites for export-oriented forest products and mining sector support businesses. At Grassy Point, on Port Simpson Bay near Prince Rupert, the Development Corporation is helping to coordinate Provincial Government interests in a major LNG project to export B.C. and other Canadian liquified natural gas to Pacific Rim markets.

A major export development which has already proved highly successful is Fibreco Export Inc. This consortium of 35 interior sawmills was formed in 1979, with the support of Development Corporation financial assistance, to export surplus wood chips, primarily to the Pacific Rim. During its lifetime, Fibreco has added more than $180 million to the Provincial economy and created or preserved hundreds of jobs in member sawmills throughout the interior and in transportation businesses such as B.C. Rail.

International Investment
The new Canadian Autoparts Toyota plant opened this year in the Development Corporation's Tilbury Industrial Park in Delta.

Employing 100 skilled and semi-skilled workers, this important new investment project has utilized the Development Corporation's unique combination of financing expertise, industrial land resources and project skills to establish a new export-oriented industry in the Province.

New Technology
Knowledge-based industry has enormous growth potential for British Columbia and offers special opportunities to diversify the Provincial economy.

Many technology-oriented businesses — large and small — are expanding in British Columbia with the help of Development Corporation loans. At Sidney, on Vancouver Island, the Development Corporation has established a Marine Technology Centre. This advanced special-purpose facility allows a number of small research, consulting, and manufacturing tenants to interact with each other to develop new means of utilizing British Columbia's ocean environment.

The Corporation has also been particularly effective in developing and administering Provincial Government financing arrangements for a number of major technology projects. During 1984 the Corporation made a significant financial commitment to the Moli Energy rechargeable lithium battery plant to be built in the Development Corporation's Maple Meadows Industrial Park in Maple Ridge.

Low Interest Business Loans
The Provincial Government has clearly identified the importance of small businesses in creating new employment in British Columbia, and, as an established financial institution, the Development Corporation has the specialized skills and resources needed to administer and deliver the growing range of Provincial Government small business expansion initiatives.

The Development Corporation has administered the Provincial Government's highly successful Low Interest Loan Assistance (LILA) program since it was introduced in 1979. Providing small businesses with 3-year loans at one half of the Corporation's base rate, LILA has assisted hundreds of small business start-up and expansion projects. The original funds are now being recycled into a "new generation" of small manufacturing and processing businesses.

Mariculture

Among Development Corporation financed businesses are a number of mariculture projects which will help establish an entirely new industry in British Columbia. The Corporation is also leasing a site at Miller Bay to the Prince Rupert Fisherman's Cooperative to establish a "fish farming facility". These projects should, in the long term, provide significant new employment opportunities and expand our exports of ocean products.

Industrial Land

As a major supplier of industrial sites in the Province, the Development Corporation is in a key strategic position. Industrial land can foster the expansion of small business, attract new offshore investment, and help to establish major new industrial projects such as the Liquified Natural Gas (LNG) facility proposed for the Grassy Point site north of Prince Rupert and the energy industry assembly operation envisioned for the Corporation's Duke Point Industrial Park near Nanaimo. These projects are expected to have major impacts on the Provincial economy. The LNG project will realize export sales of $700 million per year, and the assembly facility will provide direct employment for 500 or more skilled workers.

Urban Redevelopment

The Development Corporation's urban redevelopment projects at Lonsdale Quay in North Vancouver and Westminster Quay in New Westminster are generating important new private sector investment and employment in previously underutilized waterfronts. Although large in scope, these major projects involve and depend on numerous small supply and contracting businesses and ultimately provide new infrastructure for further development.

The Lonsdale Quay project, in particular, has demonstrated that an agency of the Provincial Government can work in partnership with the private sector to initiate a development that creates significant continuing benefits and then withdraw from the project with no long term cost to the taxpayer.

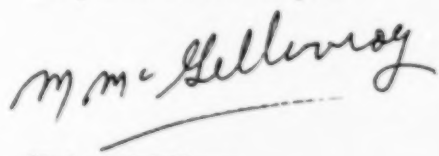
The Board of Directors, Management and Staff

The management and staff of the Corporation have demonstrated outstanding initiative and commitment over the past year in helping the Corporation adapt to the emerging needs of the Provincial economy.

The Board of Directors anticipates a significantly expanded role for the Corporation in the years ahead, as new economic opportunities for British Columbia become more established.

A special tribute is due to the Directors who left the Board during the past year after many years of dedicated service to the Corporation and the Province.

It is with great pleasure that I welcome the Honourable Bob McClelland, Minister of Industry and Small Business Development, Mr Conrad Pinette and Mr Arthur Block, who have joined the Board this year.



Michael McGillivray
Acting Chairman and
Chief Executive Officer

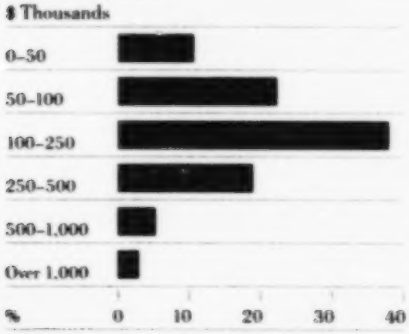
Business Finance

The Development Corporation Act empowers the Corporation "to provide financing by way of loans to, or purchase of shares of, an industrial enterprise, on terms and conditions as the corporation considers advisable . . . ."

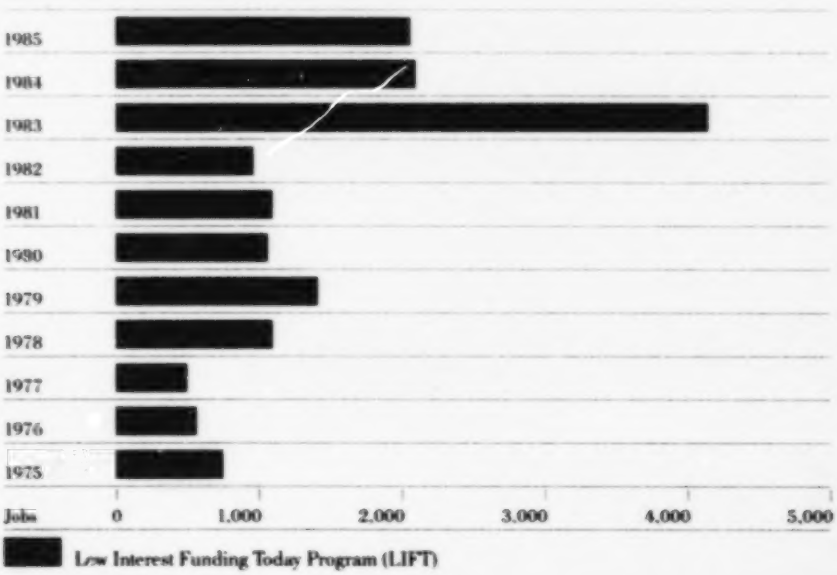
The Business Finance Division of the Corporation is primarily engaged in making loans to small and medium sized B.C. businesses for the establishment or expansion of plant and facilities which, in turn, create long term employment opportunities. Over 70 percent of the Corporation's loans are less than $250,000.

The Corporation's lending activity is specifically directed at manufacturing and processing operations. These businesses create direct employment and add value to our raw materials, frequently replacing imports or earning export dollars. They diversify the Provincial economy and stimulate indirect employment in the service industries that support them.

Clients at March 31, 1985 by Size of Loan



Jobs Created/Preserved by Loan Activity



The Development Corporation administers two main lending programs, the first utilizing internal funds to make term loans, the second utilizing funds provided directly by the Provincial Government to make low interest loans to small business.

Term Loans

Eligible Businesses
Manufacturers, processors, high-technology, and businesses servicing them. All applicants must demonstrate strong management and overall viability.

Use of Funds
Purchase of land, buildings, and equipment, or expansion of existing facilities.

Loan Size
There is no specific maximum.

Terms
Tailored to meet the borrower's financial requirements.

Interest Rate
Slightly above the Corporation's base rate.

Loan and Guarantee Approvals
(for the year ended March 31, 1985)

Industry Groups	Number of Clients	Total Client Program	Participation BCDC	Participation LILA	Employment Created	Employment Preserved
Food and Beverage	29	$ 9,730,500	$ 3,414,900	$ 1,935,100	140	121
Wood Products	21	13,410,200	3,450,500	1,921,300	371	113
Printing and Allied Industries	16	6,290,000	2,246,000	1,131,000	39	125
Metal Products	27	6,858,294	1,465,000	1,850,480	124	111
Transportation	3	1,520,000	250,000	443,000	60	—
Electrical Apparatus	4	1,205,000	405,000	402,000	89	8
Scientific Apparatus	5	62,352,500	28,442,000	328,000	426	—
Building Products	11	4,972,000	1,280,000	938,500	75	75
Furniture	6	2,570,000	273,000	772,000	28	15
Plastic Products	10	2,832,700	1,213,500	759,500	59	—
Clothing and Allied Industries	4	1,145,000	88,000	380,000	7	22
Miscellaneous	4	1,092,000	373,000	364,000	16	—
Total by Industry Group	**140**	**$113,978,194**	**$42,900,900**	**$11,224,800**	**1,434**	**590**
Refinancing of LILA Program*	20	1,235,685	1,071,067	—	—	—
Total	**160**	**$115,213,879**	**$43,971,967**	**$11,224,800**	**1,434**	**590**

*During this period, certain LILA loans that came due under the terms of the trust agreement were, if not paid out, refinanced with BCDC funds.

Low Interest Loan Assistance (LILA)
The Development Corporation administers this program on behalf of the Provincial Government.

Eligible Businesses
Manufacturers, processors, high-technology, and businesses servicing them. All applicants must demonstrate strong management and overall viability.

Use of Funds
Purchase of land, buildings and equipment, or expansion of existing facilities.

Loan Size
One-third of the capital cost of fixed assets being purchased, to a maximum of $200,000 and a minimum of $18,000. Project size is limited to $900,000.

Terms
Maximum term of a LILA loan is three years. No interest accrued or principal payments required for the first six months.

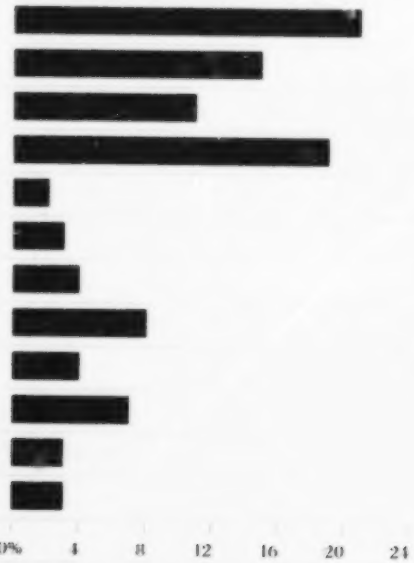
Interest Rate
One-half of the Development Corporation's base rate.

The Corporation also has the statutory responsibility and specialized expertise necessary to deliver new support lending programs that have been proposed by the Provincial Government specifically for small business.

An increasing proportion of the loans made under both current programs is financing new technology businesses in electronics, mariculture, and pharmaceuticals, as well as modernization and start-up programs in traditional businesses such as wood processing.

Supplemental lending is increasing. In these situations, Development Corporation or LILA funds represent a portion of a complete financing package for business expansion or start-up.

Distribution of Clients by Industry Group



Application of Total Client Program Funds

	Percent	Amount
Land and Buildings	28	$ 31,906,000
Building Improvements and Additions	7	8,476,930
Leasehold Improvements	1	776,641
Machinery and Equipment	36	41,458,873
Development Costs	10	11,620,000
Working Capital	16	18,365,000
Refinancing of LILA Program	1	1,235,685
Other	1	1,374,750
Total	**100**	**$115,213,879**

Special Financing Projects

As a lending institution with unique credit and loan administration capabilities, the Corporation is often called upon by the Provincial Government to structure, participate in, and administer financing arrangements for major new enterprises.

In November 1984, the Corporation structured, and now administers, a $20 million Provincial Government financing package which will enable Moli Energy Ltd to build a 60,000 square foot plant in the Development Corporation's Maple Meadows Industrial Park at Maple Ridge for the manufacture of the world's first rechargeable lithium batteries. The plant will initially employ 250, with a $5 million annual payroll.

In April 1985, the Corporation provided an $8 million loan on behalf of the Provincial Government to help The Terry Fox Medical Research Foundation and The Wellcome Foundation of Great Britain establish the Biomedical Research Centre at the University of British Columbia as a centre of excellence for the study of experimental medicine and related biological sciences.

New opportunities are emerging for the Corporation to finance projects originating from any Provincial Government ministries which provide economic development benefits in line with the corporate mandate.

Land And Projects

The Corporation's land and development projects are highly visible. They offer significant economic benefits and, because of their special nature, would not normally be undertaken by the private sector alone.

Industrial Parks

In the mid-1970's, a shortage of low-priced industrial land was identified by the Province as a constraint to economic development. In the years that followed, the Corporation acquired property throughout the Province in quantities sufficient to ensure that every region would have an adequate supply of land for industrial business use. No industrial park land has been acquired since 1982, when demand began to recede.

All of the Corporation's current industrial park activity is geared towards encouraging demand for these holdings, and includes joint ventures with private sector industrial land developers and working with the Ministries of Industry and Small Business Development and International Trade and Investment to attract offshore investment.

Land Holdings

Acreage

Location	Total	Sold	Available	For Future Development
Ashcroft	17	7	10	–
Chetwynd	210	40	29	141
Delta	407	172	235	–
Fort Nelson	291	–	71	220
Houston	41	10	31	–
Kamloops	570	23	29	518
Kelowna	59	–	59	–
Langley	62	–	62	–
Maple Ridge	104	15	17	72
Merritt	74	43	31	–
Nanaimo	346	93	253	–
Pemberton	76	17	59	–
Port Hardy	390	33	–	357
Prince Rupert	2,551	100	296	2,155
Roberts Bank	4,000	–	–	4,000
Surrey	355	18	–	337
Trail	32	2	30	–
Tumbler Ridge	95	8	21	66
Vancouver	9	–	9	–
Williams Lake	6	1	5	–
Total	**9,695**	**582**	**1247**	**7,866**

Duke Point Industrial Park
Duke Point is a 346-acre industrial park/shipping terminal close to Nanaimo, developed by the Corporation between 1975 and 1982. The project is currently being marketed as an attractive site for the assembly of large energy industry modules which are barged to remote northern exploration and development operations. In addition to serious interest from this sector, inquiries have been received from modern specialized forest products operations and the bulk transportation industry.

Prince Rupert Petrochemical Terminal
The Development Corporation owns major landholdings in and around the City of Prince Rupert. At South Kaien Island, the Corporation is continuing to work with the Port of Prince Rupert and the Canadian National Railway to plan a liquid bulk terminal to handle large volume exports of Western Canadian petrochemical products to Pacific Rim destinations.

Grassy Point LNG
The Corporation's site near Port Simpson has been selected by a consortium of Canadian and Japanese sponsors for the development of a 2.3-million-tonne-per-year natural gas liquification and export facility. To help expedite this project, the Corporation is coordinating site planning and development arrangements on behalf of the Provincial Government.

Marine Technology Centre
The Marine Technology Centre is a 35,000 square foot, multi-tenant facility built at Sidney by the Corporation, with the cooperation of the Federal Government, for small companies engaged in commercial, marine-oriented research, development, and manufacturing. The Corporation provides ongoing management of this facility.

Marine Technology Centre
Tenant List

Candel Industries Limited
Design and manufacture of environmental and process monitoring systems.

Cantech Scientific Instruments Ltd
Machine shop; design and assembly of research equipment.

Dobrocky Seatech Limited
Oceanographic and environmental consulting.

Lincom International Communications
Consulting services in the field of terrestrial, satellite digital/audio communications.

Geoterrex Ltd
Marine, ground and airborne geophysical surveys and interpretation.

Renewable Resources Consulting Services Ltd
Natural resource management and ecological consulting.

RSI Robotic Systems International Ltd
Design, development, manufacture, and marketing of robotic manipulators and control systems.

Seaboy Marine Services Ltd
Development and manufacture of solar powered, free travelling, satellite controlled marine buoy.

Walker Industrial Computing Ltd
Development and production of microprocessor-based measurement and control systems.

Jasco Research
Applied oceanographic research.

Silk Questo Graphic Design
Complete design services, including high technology graphics.

Canadian Autoparts Toyota
The Development Corporation has been instrumental in enabling Canadian Autoparts Toyota Inc to establish the first Japanese parts plant in Canada. A suitable site was identified and made available at the Corporation's Tilbury Industrial Park in Delta.

Initially employing 100, the $24.5 million plant was officially opened by Premier Bill Bennett in April 1985.

Crown Land
The Development Corporation is the official agent of the Provincial Government for the transfer of Crown land for industrial use. By providing a "one-stop-shop" to industry, the Corporation has simplified the process of making Crown land available, brought additional revenue to the Provincial Government, and enabled the Corporation to accommodate a number of major projects and attract new offshore investment to the Province.

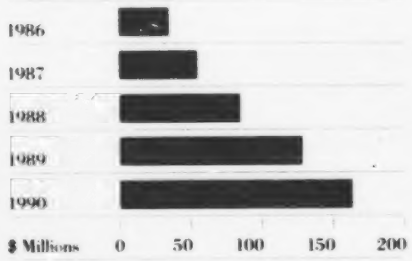
The Corporation is adopting a more aggressive role in this field and is capable of marketing certain commercially viable but underutilized Crown land throughout British Columbia.

Westminster Quay
Westminster Quay is a project to redevelop the New Westminster waterfront. It is being implemented by a subsidiary — The First Capital City Development Company Limited — as a cooperative venture between the Development Corporation and the City of New Westminster.

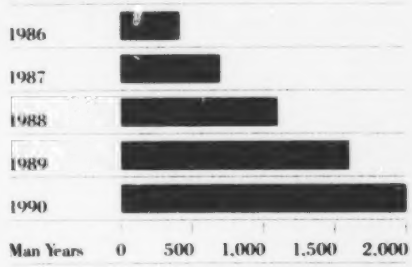
Bosa Bros Construction Ltd began construction early this year on 84 housing units on the waterfront, and construction is scheduled to begin in June 1985 on a further 66 condominium units. In addition, a conditional sale agreement has been entered into with another private sector developer for a 2.7-acre site to build a further 131 units.

Westminster Quay Public Market Ltd, a new Development Corporation subsidiary, is scheduled to begin construction in 1985 on a 72,000 square foot "festival" market. The project will ultimately be privatized.

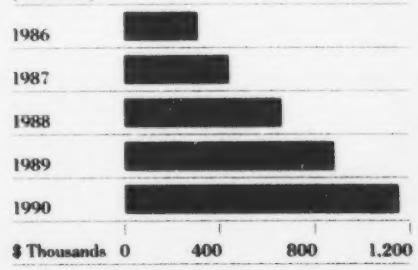
Direct Construction Westminster Quay
(Cumulative)



Direct Construction Employment Westminster Quay
(Cumulative)



Impact on the City of New Westminster's Property Tax Base
(Annual)



Lonsdale Quay

Lonsdale Quay is a virtually complete, 25-acre waterfront project which has been developed by the Corporation adjacent to the North Vancouver SeaBus Terminal.

It contains the Pacific Marine Training Institute, the headquarter offices for British Columbia Rail and the Insurance Corporation of British Columbia, two private office buildings with ground level retail stores, and a 6-acre public park.

In addition, Shelter Corporation of Canada Ltd began construction in 1984 on 81 waterfront condominium units. Another private sector developer, Lonsdale Quay Market Corporation, began construction of an integrated public market, entertainment, and hotel complex which will be operational in time for Expo 86.

More recently construction began on a major research and development facility which will be completed by October 1985.

Lonsdale Quay has been extremely successful from every perspective. It has provided thousands of construction jobs and hundreds of new permanent job opportunities in North Vancouver. It has added millions of dollars to the municipal tax base and opened up the waterfront to the public.

During 1986 it is expected that the Corporation's direct involvement in this project will be concluded.

Lonsdale Quay/Partnership in Development

Public Commitment Generates Private Investment

Total Cumulative Investment ($ Millions)

1980	1982	1984	1986
$15	$66	$90	$140

BCDC (net investment)

Public sector (total investment)

Private sector (total investment)

Financial Statements

Status Of The Corporation

The British Columbia Development Corporation is a Crown corporation of the Province of British Columbia, incorporated pursuant to the *Development Corporation Act*.

Summary Of Significant Accounting Policies

Basis of Reporting
The financial statements of the Corporation are presented in accordance with generally accepted accounting principles.

Consolidation
The consolidated financial statements include the accounts of the Corporation and its subsidiary companies:

The First Capital City Development Company Limited
Duke Point Development Limited
Lonsdale Quay Development Company Limited.

Loans and Guarantees
Loans and guarantees are reviewed regularly by management and provision is made for anticipated losses. Loans are written off against the provision when known to be uncollectible. At March 31, 1985 the balance in the provision was $7,292,550 (1984 — $9,925,034).

Land and Development Projects
Land and development projects are carried at cost less provision for write-down to estimated net realizable value. Cost represents acquisition of land and capitalized development costs. Development costs include direct development expenditures, direct salaries and expenses, interest, property taxes and a proportion of other expenses.

Depreciation and Amortization
Furniture and equipment are depreciated on the straight line method over five years. Leasehold improvements are amortized over the term of the lease plus one renewal term. Rental properties are depreciated on the straight line method over ten to twenty-five years.

Deferred Charges
Term debt payable in United States dollars is translated to Canadian dollars at the year-end exchange rate. Unrealized gains or losses arising from exchange fluctuations are amortized over the term of the debt.

Contributed Surplus
The Corporation is designated by the Government of the Province of British Columbia as its chief agency dealing in Crown industrial land holdings. Land acquired for development is recorded at estimated market value which is credited to contributed surplus. Land acquired for resale is recorded at value equal to 70% of the net selling price which is credited to contributed surplus. When land is returned to the Province, contributed surplus is reduced by the amount recorded upon acquisition.

Income Recognition
Land and development projects sales
The Corporation recognizes revenue on the sale of land and development projects when all material conditions in the sale agreement have been fulfilled.

Property leases
Leases containing options to purchase generally are considered to be financing arrangements and are accounted for as sales where there is reasonable expectation that the option will be exercised. Total minimum lease payments receivable, excluding related unearned financing revenue, are reflected on the balance sheet as property leases receivable.

Property rentals
Income from rental property is recognized when a satisfactory level of occupancy has been achieved, subject to a reasonable maximum lease-up period. Prior to that time, expenses net of rental income are capitalized.

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Consolidated Balance Sheet

As at March 31, 1985

Assets	Note	1985	1984
Industrial development programs			
Land and development projects	1	$ 80,227,739	$103,262,198
Loans to industrial enterprises		78,420,286	74,325,073
Property leases receivable		5,473,643	5,588,265
Rental properties	2	17,037,174	18,898,969
		181,158,842	202,074,505
Cash		8,223,009	3,590,587
Other assets	3	2,637,269	2,307,446
Small business development fund	4	181,088,930	182,738,130
Trust assets	5	27,295,281	26,277,220
		$400,403,331	$416,987,888

Liabilities

Accounts payable and accrued liabilities		$ 9,824,328	$ 9,309,901
Term debt	6	176,734,182	153,169,256
Small business development fund		181,088,930	182,738,130
Trust liability		27,295,281	26,277,220
		394,942,721	371,494,507

Shareholder's Equity

Share capital		
Common shares of $100 par value: authorized 2,000,000 issued 546,183	54,618,300	54,618,300
Contributed surplus	10,869,533	11,807,545
Deficit	(60,027,223)	(20,932,464)
	5,460,610	45,493,381
	$400,403,331	$416,987,888

Approved by the Directors

M. McGillivray
Director

W. H. McRae
Director

Consolidated Statement Of Loss And Deficit

For the year ended March 31, 1985

	1985	1984
Revenue		
Industrial development programs		
Land and development project sales	$13,511,585	$ 6,731,160
Loan interest and guarantee fees	9,790,582	9,731,590
Lease financing	716,506	705,384
Property rentals	1,318,607	686,282
Management fees	991,865	1,028,901
Interest on cash deposits	322,593	463,824
Other	121,483	537,344
	26,773,221	19,884,485
Expense		
Cost of sales, land and development projects	12,866,193	6,072,739
Interest on term debt	21,056,278	19,085,237
Property taxes	2,928,731	3,374,395
Staff remuneration and benefits	2,397,296	2,679,523
Advertising and business development	231,451	280,691
General administration	1,284,697	1,163,861
Professional services	720,922	467,124
Depreciation and amortization	581,423	559,642
	42,066,991	33,683,212
less: expenses capitalized to land and development projects	1,689,279	4,024,031
	40,377,712	29,659,181
Loss before the following	13,604,491	9,774,696
Provision for write-down of land and development projects	22,933,423	8,534,781
Provision for losses on loans	2,556,845	2,976,286
	25,490,268	11,511,067
Net loss for the year	39,094,759	21,285,763
Deficit (retained earnings), beginning of year	20,932,464	(353,299)
Deficit, end of year	$60,027,223	$20,932,464

Consolidated Statement Of Changes In Financial Position

For the year ended March 31, 1985

	1985	1984
Financial resources derived from:		
Term debt	$23,564,926	$ 9,765,176
Share capital	—	12,118,300
Other sources	—	4,636,044
	$23,564,926	$26,519,520
Financial resources used for:		
Industrial development programs		
Land and development projects	$11,489,077	$12,430,954
Rental properties	—	12,089,515
Loans to industrial enterprises	39,124,452	11,905,609
	50,613,529	36,426,078
Less recoveries:		
Land sales and other recoveries	13,112,129	8,930,947
Loans and lease payments	32,587,016	13,621,589
	45,699,145	22,552,536
Net additions	4,914,384	13,873,542
Loss for the year, before provision for write-down of land and development projects and provision for losses on loans	13,604,491	9,774,696
Cash resources	4,632,422	2,871,282
Other purposes	413,629	—
	$23,564,926	$26,519,520

Notes To The Consolidated Financial Statements

March 31, 1985

1. Land and development projects

	1985	1984
Balance, beginning of year	$103,262,198	$108,296,972
Add:		
Acquisition and direct development costs	9,553,898	5,548,715
Interest, property taxes and indirect overhead capitalized	1,689,279	4,024,031
Transfer from rental properties	1,521,980	—
Deduct:		
Cost of sales	(12,866,193)	(6,072,739)
Provision for write-down	(22,933,423)	(8,534,781)
Balance, end of year	$ 80,227,739	$103,262,198

Interest and property taxes of $16,766,282 (1984 — $12,746,342) on certain projects were expensed during the year rather than capitalized because the carrying value of those projects otherwise would have exceeded estimated net realizable value. This amount is in addition to the provision for write-down of land and development projects of $22,933,423 (1984 — $8,534,781) for reduction in estimated realizable value.

2. Rental properties

Rental properties are carried at cost less accumulated depreciation of $1,116,400 (1984 — $959,573).

	1985	1984
Land and buildings	$16,371,549	$18,195,844
Other property	665,625	703,125
	$17,037,174	$18,898,969

3. Other assets

	1985	1984
Premises and equipment, at cost	$1,373,888	$1,273,935
less: accumulated depreciation and amortization	936,305	694,728
	437,583	579,207
Accounts receivable	632,277	394,082
Deferred charges	1,567,409	1,334,157
	$2,637,269	$2,307,446

4. Small business development fund

Under an agreement with the Province of British Columbia, the Corporation operates the Small Business Development Fund which provides term loans to industrial enterprises. The fund consists of:

	1985	1984
Assets		
Cash and short term investments	$132,548,283	$136,294,335
Accrued investment interest	3,231,478	10,749,473
Loans receivable, less allowance for losses	43,480,900	34,961,998
Indemnity due from the Province of British Columbia	1,828,269	732,324
	$181,088,930	$182,738,130
Liabilities		
Notes guaranteed by the Province of British Columbia	$171,448,363	$182,264,165
Other liabilities	9,640,567	473,965
	$181,088,930	$182,738,130

5. Trust assets

Under an agreement with the Province of British Columbia, the Corporation acts as agent and administrator of the Low Interest Loan Assistance Program (LILA). Assets administered under this program consist of:

	1985	1984
Cash and short term deposits	$ 9,330,627	$ 4,445,646
Loans receivable, less allowance for losses	17,964,654	21,831,574
	$27,295,281	$26,277,220

Notes To The Consolidated Financial Statements (Continued)

6. Term debt

	1985	1984
Notes guaranteed by the Province of British Columbia:		
Payable in five equal annual instalments commencing March 5, 1988, with interest at 8.95% payable semi-annually	$ 64,300,000	$ 64,300,000
less: unamortized discount based on an effective interest rate of 15.75%	14,298,037	16,200,306
	50,001,963	48,099,694
Payable December 1, 1986, with interest at 16⅞% payable semi-annually (U.S. $12,400,000)	17,180,200	16,002,200
Notes payable to the Province of British Columbia:		
Revolving credit facility, with floating interest rates currently averaging 11.4%	86,000,000	58,000,000
Term notes	—	4,000,000
Loans payable to the Province of British Columbia pursuant to the Subsidiary Agreement on Industrial Development:		
Payable progressively as the Corporation sells or leases its Duke Point properties, with interest at 5½%	13,000,000	13,000,000
Payable September 28, 1989, without interest	5,500,000	5,500,000
Payable progressively until October 16, 1990, with interest at 5½%, adjusted annually	2,350,000	2,420,000
Other term debt	2,702,019	6,147,362
	$176,734,182	$153,169,256

7. Contingent Liabilities

The Corporation, as part of its industrial development programs, is contingently liable as guarantor of indebtedness and performance of industrial enterprises for $1,250,000 (1984 — $8,270,000).

8. Related party transactions

In the ordinary course of business, the Corporation enters into transactions with related parties including the Province of British Columbia, its agencies and other Crown corporations.

Auditors' Report

To the Honourable Robert H McClelland
Minister of Industry and Small Business Development
Province of British Columbia

We have examined the consolidated balance sheet of British Columbia Development Corporation as at March 31, 1985 and the consolidated statements of loss and deficit and changes in financial position for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances.

In our opinion, these consolidated financial statements present fairly the financial position of the Corporation as at March 31, 1985 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Pannell Kerr Forster

(Formerly Campbell Sharp)
Chartered Accountants

Vancouver, Canada
May 17, 1985

Administration And Management

Officers

Michael McGillivray, CA
Acting Chairman and
Chief Executive Officer

John R Redworth, CA
Executive Vice-President

James D McLean, Vice-President
(Land and Projects)

James G T Wong, Vice-President
(Business Finance)

F Michael P Warren, QC, Secretary

Susan D Baerg, Assistant Secretary

Management Group

J Eric Martin, General Manager
Design and Construction

Lockhart G (Mac) McCallum,
General Manager,
Industrial Development

P Jeffrey Hocking, Director —
Business Finance

Philip G Lamb, Development Manager
(Management Information Systems)

Auditors

Pannell Kerr Forster
(formerly Campbell Sharp)
Chartered Accountants
Vancouver

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British Columbia Development Corporation —
A Provincial Crown Corporation working for the people of British Columbia

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